

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-07 ISO-00 TRSE-00

COME-00 GSA-01 AID-05 CIAE-00 FRB-03 INR-07 NSAE-00

USIA-06 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

OMB-01 FEA-01 INT-05 NEA-10 IO-11 /102 W

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R 091725Z JAN 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 8308

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMCONSUL LUMUBASHI

AMEMBASSY LUSAKA

AMEMBASSY MANILA

USUN NEW YORK 690

AMEMBASSY NOUAKCHOTT

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PORT MORESBY

AMEMBASSY SANTIAGO

C O N F I D E N T I A L LIMA 0253

E.O. 11652: GDS

TAGS: EMIN, ETRD, ECIN, PE

SUBJECT: CIPEC CUTBACK, BUFFER STOCK, PRODUCER/CONSUMER
DIALOGUE

REFS: 75 STATE 284970, 75 STATE 282360, 75 CANBERRA 8247,
75 NOUAKCHOTT 2583, 75 LIMA 9656, 75 LIMA 9653

1. SUMMARY: DUE TO LAST QUARTER STRIKES, PERU 1975 COPPER
PRODUCTION DROPPED SUBSTANTIALY BELOW EVEN REDUCED EARLIER
ESTIMATES AND THUS PERU WILL HAVE NO DIFFICULTY IN MEETING
CIPEC PRODUCTION/EXPORT CUTBACKS IN 1976. ON BROADER
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CIPEC ISSUES, CIPEC AND ARABS ARE AT LOGGERHEADS OVER

FINANCING MECHANISM FOR EVENTUAL BUFFER STOCK SCHEME.
ON DIALOGUE WITH CONSUMERS, CIPEC HAS NOT YET DECIDED
HOW (AND POSSIBLY EVEN WHETHER) TO APPROACH INDUSTRIALIZED
COUNTRIES ON REQUEST TO CUT BACK PRODUCTION TO LEVEL OF
DOMESTIC CONSUMPTION, NOR IS CIPEC PARTICIPATING IN
CIEC. RATHER, CIPEC SECRETARIAT IS ADVISING ZAIRIAN
AND PERUVIAN DELEGATIONS TO CIEC ON COPPER ISSUES.
END SUMMARY.

2. PERUVIAN NATIONAL MINING SOCIETY'S LATEST FIGURES
(FOR PERIOD JANUARY-SEPTEMBER 1975, IN METRIC TONS) FOR
PERUVIAN PRODUCTION AND EXPORTS FOLLOW:

PRODUCTION	EXPORTS
REFINED PRODUCTION 27,943	REFINED & BLISTER 101,460
BLISTER 96,151	ORES & CONCENTRATES 19,850
CONCENTRATES 23,500	
147,594	121,310

MINING SOCIETY ESTIMATED FINAL 1975 PERUVIAN COPPER PRO-
DUCTION AT 192,300 METRIC TONS, BUT RELIABLE COMMERCE
MINISTRY SOURCE STATED DURING THE COURSE OF A CONVERSATION
ON JANUARY 8 WITH EMB ECON OFF THAT YEAR-END ESTIMATE IS
ONLY 176,000 METRIC TONS DUE TO SERIES OF FOURTH QUARTER
STRIKES AT CENTROMIN AND TOQUEPALA. DEPARTMENT WILL
NOTE THAT NINE-MONTH EXPORT FIGURE CITED ABOVE DOES
NOT CORRELATE WITH FIRST QUARTER 1975 FIGURE FOR PERU
IN 75 STATE 282360. WE BELIEVE LATTER WAS INACCURATE.

3. COMMERCE MINISTRY OFFICIAL (WHO IS RESPONSIBLE FOR
ORE SALES) TOLD EMBOFF THAT PERU WILL HAVE NO DIFFICULTY
WHATSOEVER IN MEETING 1976 CIPEC PRODUCTION/EXPORT
CUTBACKS BECAUSE OF REDUCED 1975 PRODUCTION. HE SAID
FURTHER THAT YEAR-END 1975 COPPER STOCKS IN PERU
AMOUNTED TO ONLY 7,000 METRIC TONS.

4. GOP OFFICIAL ADDED THAT CIPEC AND ARABS HAVE DISAGREED
ON HOW TO FINANCE A POTENTIAL BUFFER STOCK FOR COPPER,
WITH CIPEC COUNTRIES INSISTING THAT THEY CONTROL THE
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OPERATION OF THE STOCK ONCE THE ARABS FINANCE IT. ON
THE OTHER HAND, THE ARABS WANT TO HAVE FULL CONTROL OVER
THE STOCK SO AS TO BE ABLE TO REALIZE PROFITS FROM IT
IF PRICES RISE SUBSTANTIALLY. THUS, ACCORDING TO OFFICIAL,
IT IS PROBLEMATIC WHETHER ARABS WILL MAKE SUFFICIENT
FINANCING AVAILABLE TO CIPEC FOR BUFFER STOCK SCHEME
IN THE NEAR TERM.

5. ON PRODUCER/CONSUMER DIALOGUE, OFFICIAL SAID THAT NO DECISION HAD BEEN MADE BY CIPEC OR MEMBER COUNTRIES ON A DIRECT APPROACH TO CONSUMER COUNTRIES. AT THE PRESENT TIME, CIPEC IS LIMITING ITS "DIALOGUE" ROLE TO ADVISING THE ZAIRIAN AND PERUVIAN DELEGATIONS TO THE CIEC MEETINGS IN PARIS. ON RELATED POLICY QUESTION PASSED AT LIMA CIPEC MEETING (75 LIMA 9653) WHICH ASKED PERU TO REQUEST DEVELOPED COUNTRIES TO CUT BACK COPPER PRODUCTION TO THEIR DOMESTIC CONSUMPTION LEVELS, OFFICIAL SAID NO DECISION HAS BEEN MADE AS TO HOW OR WHEN APPROACH WILL BE MADE. CIPEC EXECUTIVE COMMITTEE WILL CONSIDER THIS ISSUE AT ITS FEBRUARY MEETING. (EMBASSY COMMENT: CIPEC RESOLUTION ON SHORT-TERM MEASURES CALLS ON CIPEC PRESIDENT TO MAKE THIS APPROACH. IN THIS REGARD, PRESENT PERUVIAN MINES MINISTER LA VERA VELARDE IS SCHEDULED TO BECOME ARMY CHIEF-OF-STAFF ON FEBRUARY 1 AND WILL BE REPLACED BY GENERAL LA TORRE D'TOLLA WHO WILL NOMINALLY BE CIPEC PRESIDENT UNTIL NEXT FULL CIPEC MINISTERIAL MEETING.)

6. FINALLY, PERUVIAN OFFICIAL EXPRESSED SOME DISMAY OVER CHANGE OF GOVERNMENT IN AUSTRALIA SINCE CIPEC COUNTRIES HAD BEEN COUNTING ON WHITLAM GOVERNMENT TO SUPPORT CIPEC GOALS. NOW PERU IS NOT SO SURE, ALTHOUGH OFFICIAL DOUBTED THAT AUSTRALIA WOULD WITHDRAW FROM ORGANIZATION. PERUVIAN OFFICIAL ALSO SUGGESTED THAT MAURITANIAN MEMBERSHIP IN CIPEC WAS BLOCKED BY THE CHILEANS, WHO RESENTED ALLEGED MAURITANIAN GOVERNMENT CRITICISM OF CHILEAN DOMESTIC POLICIES IN THIRD WORLD FORA.
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